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MAR 13 1981

Honorable William J. Casey
Director of Central Intelligence
Washington, D.C. 20505

Dear Bill:

Now that the 1982 Budget reflecting President Reagan's national defense and economic recovery programs has been transmitted to the Congress, I wish to advise you formally of the budget allowances and significant policy determinations for the National Foreign Intelligence Program (NFIP). The President has approved for the NFIP budget authority for 1981 and 1982 as shown in enclosure A.

25X1 Enclosure B shows estimates of budget authority for 1983-1985 which are based on the decisions reached thus far by the President. These are the amounts within which the NFIP program should be planned. However, you should recognize in your planning that the President is committed to substantial new reductions in outlays for 1983 through 1986. In fact, he is committed to a 1983 outlay total that is approximately below the amounts that were specifically identified in agency totals in his revised 1982 Budget. 25X1

As President Reagan has stated, the review process through which the new allowances were developed was, of necessity, much more compressed than would normally be desirable and was not as comprehensive as will be our future budget reviews. The results of the review do achieve this Administration's initial goal to reduce the growth in the size of Government while strengthening national defense; however, as indicated above, major new reductions will be required in FY 1983 and future years. Now that the budget revisions have been transmitted to the Congress, I ask that you take all of the actions necessary to ensure that the operations of the intelligence community are based on the President's decisions and his commitment to bring Government spending under control.

Except as modified by the 1982 Budget Revisions or this letter, policies set forth in the January Budget and the subsequent allowance letter will continue in effect.

Ceilings on civilian employment for the NFIP are set forth in enclosure C. The President has assigned these ceilings in keeping with his commitment to reduce the size of the Federal work force and to increase its efficiency. We expect that the ceilings provided will accomplish the objectives stated in the President's memorandum of January 20, 1981, placing a hiring freeze on the Executive Branch of

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(Unclassified when separated from enclosures)

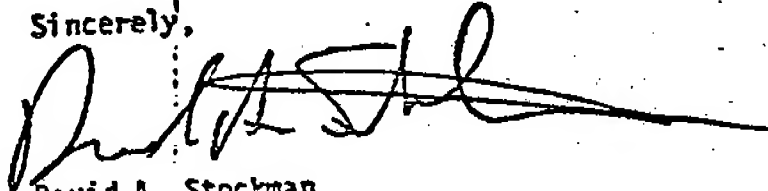
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the Government. The President's policy previously
freeze for Defense and CIA. Employment ceilings for 1981 are for the
end-of-year and ceilings for 1982 are for full-time equivalent (FTE) or
workyears.

I ask that you continue to identify major policy and program changes
that will provide additional support to the President's comprehensive
economic program to reduce spending, reduce taxes, remove unnecessary
regulatory burdens, and to improve national defense.

Each official in the HFIP is expected to support actively the proposals
set forth in the revised budget and summarized in this letter and its
enclosures, subject only to such changes as may be authorized by
Presidential action. This support should be given in testimony before
congressional committees and their staffs, and in speeches and meetings
with outside groups.

Many thanks to you and your staff for your efforts and cooperation in
preparing the revised 1982 Budget.

Sincerely,



David A. Stockman
Director

Enclosures

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